

**BEFORE THE TENNESSEE STATE BOARD OF EQUALIZATION**

IN RE: William T. Badgett, et ux )  
Dist. 3, Map 44F, Group D, Control Map 44F, ) Madison County  
Parcel 19.00, S.I. 000 )  
Residential Property )  
Tax Year 2005 )

**INITIAL DECISION AND ORDER**

**Statement of the Case**

The subject property is presently valued as follows:

<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
\$32,000	\$222,100	\$254,100	\$63,525

An appeal has been filed on behalf of the property owner with the State Board of Equalization. The undersigned administrative judge conducted a hearing in this matter on January 18, 2006 in Jackson, Tennessee. In attendance at the hearing were William T. Badgett, the appellant, Madison County Property Assessor, Frances Hunley and Madison County staff appraiser Sherri Marbury.

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Subject property consists of a zero lot line home constructed in 2001 located at 163 Wyndhurst Drive in Jackson, Tennessee.

The taxpayer contended that subject property should be valued at \$239,000 with \$24,000 allocated to the land and \$215,000 to the improvements. In support of this position, the taxpayer introduced five vacant lot sales in 2003 and 2004 ranging from \$15,000 to \$18,250. In addition, the taxpayer introduced the November 4, 2003 sale of what he described as an essentially identical home for \$225,300. Finally, the taxpayer noted that it cost him only \$202,232 to construct subject home in 2001.

In response to the assessor's query, the taxpayer testified that he did indeed pay \$35,000 for subject lot on December 22, 2000. However, Mr. Badgett testified that it was the first lot sold in the subdivision and he bought it sight unseen while living in Florida. Based upon the subsequent lot sales, Mr. Badgett contended that subject lot could not possibly command such a price on the relevant assessment date of January 1, 2005.

The assessor contended that subject property should be valued at \$254,100. In support of this position, three vacant lot sales and three improved sales were introduced into evidence.

The basis of valuation as stated in Tennessee Code Annotated Section 67-5-601(a) is that "[t]he value of all property shall be ascertained from the evidence of its sound, intrinsic



and immediate value, for purposes of sale between a willing seller and a willing buyer without consideration of speculative values . . ."

After having reviewed all the evidence in the case, the administrative judge finds that the subject property should be valued at \$246,100 by reducing the appraisal of subject lot from \$32,000 to \$24,000.

Since the taxpayer is appealing from the determination of the Madison County Board of Equalization, the burden of proof in this matter falls on the taxpayer. *Big Fork Mining Company v. Tennessee Water Quality Control Board*, 620 S.W.2d 515 (Tenn. App. 1981).

The administrative judge would normally approach the valuation issue presented by determining the overall value of subject property via comparable sales. In this case, however, the administrative judge finds the proof is such that subject lot and dwelling should be addressed separately.

The administrative judge finds that the taxpayer's vacant lot sales should initially receive greatest weight because of their proximity to subject lot. However, the administrative judge finds that since subject lot contains .21 acres and the comparables contain .14 or .15 acres,<sup>1</sup> the comparables must be adjusted for size.

The administrative judge finds Ms. Marbury testified that she selected vacant lot sales outside the subject subdivision because sales such as those relied on by Mr. Badgett are not comparable in size. Respectfully, the administrative judge finds Ms. Marbury's assertion puzzling insofar as her comparables contained .28, .36 and .38 acres. The administrative judge finds that Ms. Marbury's comparables are anywhere from .07 to .17 acres larger than the subject whereas four of Mr. Badgett's sales are only .06 acres smaller than subject lot. Moreover, the administrative judge finds Ms. Marbury's comparables must be adjusted for both size and location.

The administrative judge finds that Mr. Badgett's contended lot value of \$24,000 appears most reasonable. The administrative judge finds such a conclusion justified based upon either Mr. Badgett's sales alone or both parties' sales collectively.

The administrative judge finds that Mr. Badgett's purchase of subject lot on December 22, 2000 for \$35,000 cannot receive the weight it might otherwise be accorded for two reasons. First, the administrative judge finds Mr. Badgett had not even seen the lot and could not be considered an informed buyer. Second, and most importantly, the administrative judge finds more recent vacant lot sales do not support a market value indication of \$35,000 on the relevant assessment date of January 1, 2005. Indeed, even the assessor has valued subject lot at less than the purchase price.

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<sup>1</sup> Four of the comparables contained .15 acres. One of the comparables contained .14 acres.



With respect to subject dwelling, the administrative judge must respectfully find that neither party introduced sufficient evidence to reliably establish its market value. The administrative judge finds that the November 4, 2003 sale relied on by the taxpayer was an estate sale. The administrative judge finds that like auction sales, estate sales often involve an element of duress. Indeed, the proof established that the same property previously sold for \$245,000 in 2001. Absent additional evidence, the administrative judge finds it more reasonable to assume that the latter sale reflects an element of duress rather than a loss in market value.

Moreover, one sale does not necessarily establish market value. As observed by the Arkansas Supreme Court in *Tuthill v. Arkansas County Equalization Board*, 797, S. W. 2d 439, 441 (Ark. 1990);

Certainly, the current purchase price is an important criterion of market value, but it alone does not conclusively determine the market value. An unwary purchaser might pay more than market value for a piece of property, or a real bargain hunter might purchase a piece of property solely because he is getting it for less than market value, and one such isolated sale does not establish market value.

The administrative judge finds that the taxpayer's historical construction costs could possibly be relevant if trended to January 1, 2005. The administrative judge finds that standing alone those costs lack probative value and cannot provide a basis of valuation.

#### ORDER

It is therefore ORDERED that the following value and assessment be adopted for tax year 2005:

<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
\$24,000	\$222,100	\$246,100	\$61,525

It is FURTHER ORDERED that any applicable hearing costs be assessed pursuant to Tenn. Code Ann. § 67-5-1501(d) and State Board of Equalization Rule 0600-1-.17.

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal **“must be filed within thirty (30) days from the date the initial decision is sent.”** Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of

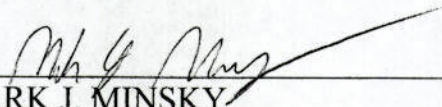


the State Board and that the appeal **“identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order”**; or

2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review; or
3. A party may petition for a stay of effectiveness of this decision and order pursuant to Tenn. Code Ann. § 4-5-316 within seven (7) days of the entry of the order.

This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 24th day of January, 2006.

  
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MARK J. MINSKY  
ADMINISTRATIVE JUDGE  
TENNESSEE DEPARTMENT OF STATE  
ADMINISTRATIVE PROCEDURES DIVISION

c: Mr. William T. Badgett  
Frances Hunley, Assessor of Property